



A Study of Digital Payment System in India

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ABSTRACT

Apex Government Institute as well as Indian Government have been working to make Indian digital payment system become more strong, their strong desire automatically to encouraging digital payment mode and settle systematic norms for digital payment. Therefore, they set up various committees for exact what preparation need of act to improve payments eco-system. Reserve Bank has been taking many initiatives for encouraging digital of payments in the country. Reserve Bank of India also published its Vision document for Payment and Settlement Systems in India and also released the Vision 2021 with intention to show future road map of digital payment system in India. Prime Minister Shree Narendra Modi declared demonetization on 08 November 2016. Demonetization of high value currency note of Rs 500 and Rs 1000(that time, it's 86% of cash circulation in India) this decision created vacuum of physical cash for little time, but at that movement Indian felt need of another platform of payment settlement. Many suitable channels have been made by RBI to settle digital payment with time. Digital platform helps to make behavioural change of consumer thinking of real cash handling. This has resulted in easily transfer of money in county side areas which was not touched earlier by the digital payment method. . Therefore, lots of e-cash channels are running in India, like various types of cards - debit, credit, prepaid, varies types of e-wallets like Paytem, Phone pay, Free charge. Also, upi based application are run, like BHIM. etc. Some other channels are help to make big banking transaction easy like NEFT, RTGS, Cheque Truncation System, Express Cheque Clearing System and etc.

INTRODUCTION:

In the India, last decade has seen fibulas growth in uses of internet based mobile. Continues increasing use of internet mobile penetration and government initiative such as Digital India have supported to make atmosphere in favour of e-cash economy. Indian Government, Reserve Bank of India and National Corporation of India have taken lots of steps to transfer fund easy in way. Therefore, lots of e-cash channels are running in India, like various types of cards - debit, credit, prepaid, varies types of e-wallets like Paytem, Phone pay, Free charge. Also, upi based application are run, like BHIM. etc. Some other channels are help to make big banking transaction easy like NEFT, RTGS, Cheque Truncation System, Express Cheque Clearing System and etc.



The RBI Ombudsman scheme for digital transactions defines a ‘Digital Transaction’ as “Digital Transaction’ means a payment transaction in a seamless system effected without the need for cash at least in one of the two legs, if not in both. This includes transactions made through digital or electronic modes wherein both the originator and the beneficiary use digital or electronic medium to send or receive money.”

This opportunity of digital payment was grabbed by UPI based application and digital wallet companies in India. There are number of facilitators which are doing important role in growth of e- transition that help to change in physical cash economy to digital cash economy. Facilitators are Internet connectivity smart phones, non-banking financial institution facilitating digital payment like e-wallets companies, one touch payment, and government also motivated e-payment either by giving incentives or tax breaks.

The demonetization resulted in tremendous growth in digital payment. In India’s monthly UPI transactions have grown 56 times in just two years, from August 2017 to September 2019

OBJECTIVE OF STUDY:

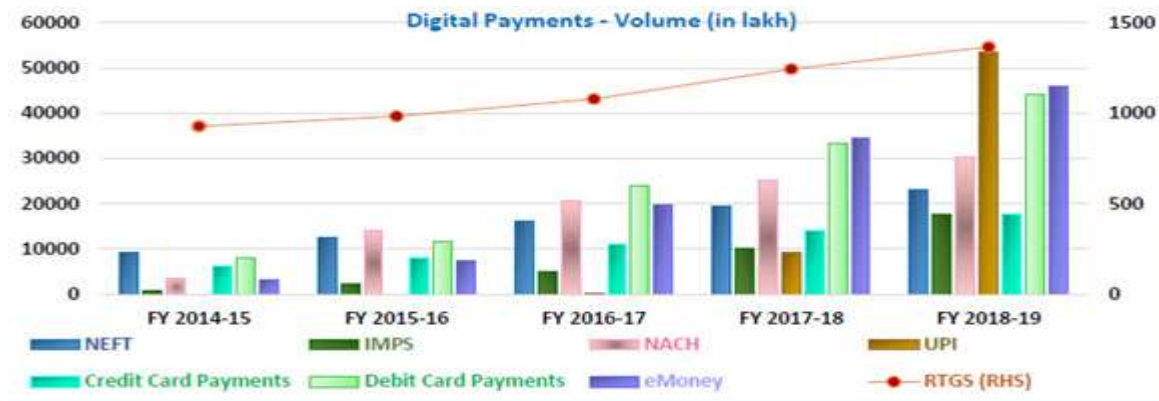
- 1- To study digital payment channels in India.
- 2- To study the UPI based application performance in India.
- 3- To understand role of RTGS and NEFT.

RESEARCH METHODOLOGY:

Samples have been collected through simple random sampling by lottery method. Samples have chosen as UPI based application, BHIM, IMPS, NEFT, RTGS, debit card and credit card and prepaid purchase instrument. The current study is based on secondary data collected concerning head bodies website, like Reserve Bank of India – monthly bulletin, data centre and etc, National Payment Cooperation of India.

DIGITAL PAYMENT IN INDIA:

There are many method which helps to make easy fund transfer to one to another. Five years performance display as under which shows continue growth in India.



source: rbi

1. Real Time Gross Settlement (RTGS).

The 'RTGS' stands for Real Time Gross Settlement, which can be explained as a system where there is continuous and real-time settlement of fund-transfers, individually on a transaction by transaction basis (without netting). simple language 'Real Time' means the processing of instructions at the time they are received 'Gross Settlement' means that the settlement of funds transfer instructions occurs individually.¹⁰ This is fastest possible money transfer system through banking channel. RTGS is large value fund transfer system where minimum amount of transfer is Rs. 2 lakh but no highest limit is set. From July 01, 2019, RBI has sacrificed imposing charges on RTGS transaction and suggest to bank but not compulsory pass to customers, but steel some banks are allowing past charges on transaction. Before the above date there is no fee on inward transaction but outward having charges of ₹ 24.50 on ₹ 2,00,000/- to 5,00,000 transaction, and then above such limit charges is ₹ 49.50. Inward transaction is Rs. 9880821.2 (Rs. In Crores) with volume of 1372861 and outward transaction is Rs. 9880821.25 (Rs. In Crores) with volume of 13728613

2. NATIONAL ELECTRONIC FUND TRANSFER(NEFT).

NEFT is short of National Electronic Fund Transfer system, which facilitated individual, firms or corporate to digitally transfer money from any branch to any individual, firms, or having an account with any other branch in the country participating in the Scheme. ¹¹, There is minimum limit set under this process but participant does not per transaction over then 50,000. NEFT operate in half hourly basis run from 8 am to 7 pm, on all working days. There are twenty three settlement batches in this regard. There is no charges on inward transaction to beneficiary, but charges are applied originating bank branch on outward transaction on the basis of volume of transaction - For transactions up to ₹ 10,000 not exceeding ₹ 2.50 (+ Applicable GST), transactions above ₹ 10,000 up to ₹ 1 lakh: not exceeding ₹ 5 (+ Applicable GST) transactions above ₹ 1 lakh and up to ₹ 2 lakhs: not exceeding ₹ 15 (+ Applicable GST) transactions above ₹ 2 lakhs: not exceeding ₹ 25 (+ Applicable GST). In January 2020, inward transaction is Rs. 1929463.5 (Rs. In



Crores) with volume of 2605.6 and outward transaction is Rs. 1929463.5 (Rs. In Crores) with volume of 2605.6 (volume in lacks)

3. IMMEDIATE PAYMENT SERVICE (IMPS)

Some year ago we were depend on NEFT and RTGS for transferring funds but its time limitation, real time settlement, and time-consuming process. Before introduction of IMPS majority of interbank mobile fund transfer transaction were channelized through the NEFT mechanism.

With the above subject in mind, NPCI taken step to sort out such problem and conducted a pilot study on the mobile payment system with the banks like SBI, BOI, UBI and ICICI in August 2010, also next follower Yes bank, Axis and HDFC bank are ready to participating in near coming month. Study resulted that new concept introduced Immediate Payment Service (IMPS) public launch happened on 22nd November 2010 by Smt. Shyamala Gopinath, DG RBI at Mumbai. This facility is provided by NPCI through its existing NFS switch in limited to India. IMPS is services which uses to transfer money one account to another account instantly. There are two way of payment in IMPS instrument. One is Mobile number & MMID (P2P) and second is Using Account number & IFS Code (P2A). In first method, Remitter (Sender), Beneficiary (Receiver) both must have registered their mobile number and seven digit MMID (Mobile Money Identifier).

4. UNIFIED PAYMENTS INTERFACE (UPI):

25th August, 2016, NPCI launched Unified Payments Interface (UPI) with member banks. UPI facility to account holders to send and receive money across banks by using a unique UPI id or payment address. User also can generate their own upi id, payment address for send and received money. User also done their transaction through Account number + IFSC and also, through emerging option of AADHAAR number. UPI is also available for basic without internet services mobile through the dialling option (*99#) also identified as USSD 2.0, its lunched along with BHIM on 30th December 2016. In the month of total upi turnover is 2,16,242.97crore with volume of 1305.02 transaction November 2019

5. CHEQUE TRUNCATION SYSTEM (CTS)

IMPS, NEFT and RTGS mode are efficiently assist to beneficiaries, however cheque have their own prestige in day today transaction and business operation. Therefore, Reserve Bank of India decided to focused on clearance cycle of cheque, in this regard Cheque Truncation System (CTS) is a step in this direction. Cheque Truncation System Definition - Truncation is the process of stopping the flow of the physical cheque issued by a drawer at some point by the presenting bank en-route to the paying bank branch. In its place an electronic image of the cheque is transmitted to the paying branch through the clearing house, along with relevant information like data on



the MICR band, date of presentation, presenting bank. Its resulting in improving service of customers, minimising the scope of loss of instruments in transit, cheap the cost of collection of cheques, and protect from accounting error. This system has been benefitting the society as a whole.

6. PREPAID PAYMENT INSTRUMENTS (PPI)

PPIs is short form of Prepaid Payment Instruments which facilitate purchase of goods and services, only when that particular value stored on such instrument. Now in India, there are three types of PPIs works viz. (i) Closed System PPIs, (ii) Semi-closed System PPIs, and (iii) Open System PPIs. PPI issuer is an entity operating / participating in a payment system for issuing PPIs to individuals / organisations. The money so collected is used by the entity to make payment to the merchants who are part of the acceptance arrangement and for facilitating funds transfer or remittance services.

Closed System PPIs:

This type of PPIs gives by an entity/ company for facility the purchase of goods and services only from that particular company or organisation. It holder have no power to withdraw cash and cannot use for payments or settlement for third party services.

Semi-closed System PPIs:

This type of PPIs are issued by banks and non-bank who have permitted by RBI. This is using for purchase of goods and services, including financial services and remittance facilities. The issuer clearly identified merchant list and its location, user can also transfer fund to person who have accepted all terms and condition of PPIs issuer. The instrument does not permit to cash withdrawal, whether they are issued by banks or non-banks.

Open System PPIs:

These PPIs are issued only by banks. It may use at any merchant for purchase of goods and services, including financial services, remittance facilities and also can cash withdrawal through ATMs and may use on points of sale (PoS) terminals / Business Correspondents. PPI holder does not get interest on his stored amount on card.

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